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ABSTRACT

A handbook on how to establish a university foundation is presented. It presupposes that a foundation will be used as the umbrella organization for receiving all private gifts, restricted and unrestricted, for the benefit of a public college or university; and hence it chiefly addresses readers from public colleges and universities. Information is based on personal experiences at five universities. An introduction discusses reasons to have a foundation (establishing credibility, marshaling volunteers, fostering life income agreements, increasing investment potential, and curtailing political intrusion). Eight steps for creating a foundation are as follows: develop guidelines (sample fund-raising and policy guidelines); state the case for development (sample case statement); incorporate (sample articles of incorporation and bylaws); choose directors; halfway home or getting the exemption; find startup money (sample guidelines for establishing foundation funds, trust fund withdrawal request); establish accounts; and disburse funds (sample disbursement guidelines). It is suggested that those establishing a foundation remember to make it as easy as possible for someone to make a gift to the institution; allow at least a year to get a foundation organized; and be assured that with good professional staff leadership, the institution will reap rewards. Contains 17 references. (SM)

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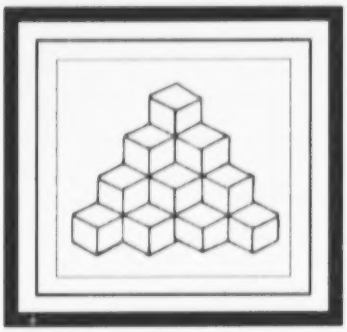

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Acknowledgments

Higher education advancement work is a profession of both skill and sharing. It is far more the sharing side that has contributed to my success in the advancement profession.

The persons who shared their knowledge, time, and skills with me deserve special acknowledgment. Institutional advancement officers enjoy sharing their ideas with other professionals. This handbook was written with the intent to help others and to "pay back" all those who have contributed to my experience and success. The project began in college with a journalism professor, Louis Ingelhart, whose special style motivated me.

There was Bob Linson (retired), vice president and alumni director at Ball State University, who hired me into the profession. He was a special boss and mentor. No man has been more dedicated to his institution and to alumni and development work than Bob Linson.

H. Perk Robins, former vice president for development and public relations at the University of Georgia and current chief development officer at Georgia Southern, provided me with my first big opportunity in fund raising by letting me train volunteers in his fund-raising program. It was my first step from alumni relations into resource development.

There is no volunteer who has had a greater impact on my life through demonstrated leadership than the late Ralph J. Whitinger. He learned to live with a physical handicap and achieved remarkable business success. He served as president of the Ball State University Foundation from 1950 until his death in 1982.

In addition to these four special Ball State people, three AASCU institution presidents have given me the opportunity to direct advancement programs and university-related foundations: Thomas B. Brewer, Janet D. Greenwood, and Ronald E. Carrier. All three are fine people and supportive of the concepts in this book.

Another acknowledgment is due a dear friend who died recently. An alumna of Longwood College and resident of Bellaire, Texas, Mrs. Ervin Mae "Ham" Eubank has been an inspiration to me for the past seven years. Although my initial contact with "Ham" was fund-raising related (she was a major donor), her friendship, advice, and letters meant a great deal to me.

Finally, and most important, is my family. My wife, Sue, and sons, Mick and Kyle, have been a major part of my career in university advancement. All three have been supportive and involved.

Foreword

For at least the next two decades, most state colleges and universities must come to terms with the economic stringencies of inflation, rising instructional costs, and state appropriations insufficient to maintain the level of program quality and program development necessary to meet the public's needs and expectations. The growing gap between state assistance and the costs of improving quality and opportunity dictates that state colleges and universities must increasingly turn to private funding. State support may provide the basic necessities for a good education, but voluntary support provides the "margin of excellence."

At many institutions, private fund raising is either a fairly new undertaking or an increasingly sophisticated one. The mechanics of fund raising—organization, staffing, policies, and procedures—may not be fully developed, or may require refinement to serve an institution's long-term needs. This handbook should be a valuable tool in developing an effective approach to obtaining essential voluntary support.

AASCU is grateful to Donald L. Lemish for generously sharing his experience and knowledge in foundation fund raising.

Allan W. Ostar, President
American Association of State Colleges and Universities

Introduction

During the past 20 years foundations at public universities have grown considerably, both in number and assets. Since the chartering of the first public universities in the latter 1700s, over 500 public four-year institutions have been established. Over the past 200 years, as state subsidies of public education have decreased, universities have turned to the private sector as a source of funds. Although the aggressive movement by many public universities into private fund raising did not become highly visible until the 1950s, the University of Kansas established the first foundation for a public institution in 1891, the Kansas University Endowment Association, as "a way of creating a private system within a public system." The association was established to protect against a state practice of appropriating gifts by applying them to the university budget and thus withdrawing state funds in those areas (T. A. Reilley, Ed., *Raising Money Through an Institutionally Related Foundation*, p. 9).

A university-related foundation as described in this booklet does not differ greatly from the original endowment association concept. It is a private entity within a public system that functions independently of the institution it serves.

In the past four years, some state government officials (in various states) have questioned the "privacy" rights of such foundations. Although it is important to protect foundations' rights to privacy, it is also important to ensure appropriate accountability. This publication explains why a public institution should consider establishing an institutionally related foundation and what the appropriate steps are in creating and managing it.

The discussion herein presupposed that a foundation will be used as the umbrella organization for receiving all private gifts, restricted and unrestricted, for the benefit of a public college or university; and hence it chiefly addresses readers from public colleges and universities. The information is based on my experiences at five universities: three with established private foundations, one that attempted to form a foundation, and one that changed a small existing foundation to an "umbrella" foundation to receive gifts for any and all purposes related to the advancement of the institution.

Why a Foundation?

Is a foundation needed? There are many ways to justify the effort involved in establishing a foundation for university fund raising. Below are some of the major benefits.

Establishing Credibility

A foundation enhances the overall climate for fund raising by fostering credibility. Credibility rests on two concerns donors have about private giving. First, can they trust that their gifts will be used both in their best interests and those of the institution? Second, will the institutional beneficiaries respect donors' wishes about the *use* of the funds and not divert gifts from their originally designated purposes? Documented experiences lend legitimacy to both questions: in some states gift dollars have ended up under control of the state government, and in some instances institutional officials did not permit gift dollars to be used for the donor's designated purposes.

A foundation with a board of directors representing private gift donors helps guarantee that funds will be used only for the purposes for which they were donated. The board is not answerable to state government agencies. Its sole charge is to act on the donor's behalf for the benefit of the institution.

Not all gifts to foundations need be restricted in their use. Although a foundation acts as recipient, depository, and investor of all gift dollars, it can allow independent groups, such as the alumni association, to control expenditures of "their" unrestricted gifts.

Above all else, the foundation should function to encourage rather than discourage private gifts. All donors should be allowed to designate programs they want to support rather than be expected to give funds for unrestricted use, which would be spent at the discretion of the foundation board and institution president.

Marshaling Volunteers

A major purpose of a foundation is to provide a formal mechanism for identifying and recruiting important volunteers. By its very nature as an organized structure, the foundation defines roles for the volunteers, involving them in the fund-raising process of asking for an administering gifts.

In many states where a board of regents or trustees determines institutional policy, appointees are often political "spoils." This is not to say that such appointments are always undesirable, but that the best or most supportive and influential donor prospects are not always the persons appointed.

Because a foundation's major reason for existence is to advance a particular institution by encouraging gift support, a foundation (corporation) provides an opportunity to select and involve, at a policy-setting level, individual donors and prospects. It can offer a prestigious volunteer experience for wealthy VIP friends of the institution who have powerful, wide spheres of influence.

Appointment or election to a foundation board can be the ultimate step in the "grooming" process of a major volunteer—for example, an alumnus formerly involved with chapter and area fund raising, then advanced to the alumni board of directors, and to presidency of the alumni association. During such a progression the person's giving advances substantially and the foundation board becomes a vehicle for keeping the individual involved and acknowledging his or her substantial gifts.

Fostering Life Income Agreements

A third important reason for starting a private foundation is to create a mechanism

for accepting life income agreements. These agreements are gifts in which the donor retains a life interest, usually in a manner requiring the charity to make some type of payment to the donor or accept responsibility for debts on property in which a donor retains a life interest. Such gifts include charitable remainder trusts, charitable unitrusts, charitable annuity trusts, gift annuities, deferred gift annuities, pooled income funds, and real property in which the donor holds a life interest. Many states have laws that prohibit any unit or agency of the state from incurring debt. In such states, a foundation provides the only mechanism for accepting life income agreements, which provide major endowment potential to the institution.

Increasing Investment Potential

A fourth important consideration in establishing a foundation is the need for pooled assets. Without a foundation, separate units or divisions in a university that receive gifts can lose money by not having assets large enough to take best advantage of high-yield investments. With all restricted and unrestricted gift dollars pooled, the potential for high-yield investments greatly increases. (A smaller percentage of gift dollars can be kept in an operating account.) In addition, a foundation committee of directors determines investment policy and thus relieves the institution and its chief officers from investment responsibility for private gifts.

Curtailing Political Intrusion

Some state governments have policies that require any budgeted institutional line items to be reduced by the amount of any private gift support designated for the same purpose. This stifles the motivation to seed private gifts and eliminates the institution's chances of achieving the "margin of excellence" made possible by private dollars. However, a private foundation governed by a majority of directors not employed by the institution is protected against any such offsetting move. Similarly, a state government cannot take control of moneys given to a private foundation, and the moneys cannot revert to the state general fund.

Step 1

Develop Guidelines

Before establishing a foundation for fund raising, an institution should develop policies and guidelines on solicitation of private support. The policy should be drafted by the chief advancement officer, approved by the president, and then approved by the board of trustees.

The policy should clearly identify the chief advancement or development officer as responsible for coordinating all fund raising.

The guidelines for policy implementation should cover the following activities:

- coordinating appeals for funds and approaches to donors
- accepting, recording, reporting, and acknowledging gifts
- establishing minimum funding requirements
- formulating budgets for fund-raising programs
- preparing fund-raising literature
- maintaining prospect files
- recognizing donors
- involving and using volunteers.

A sample "Policy and Guidelines" statement follows.

Sample Fund-Raising Policy and Guidelines

Policy Rationale

In the broadest sense, the purposes of the Office of Development are: (1) to create an awareness within the private sector of the financial needs of XYZ University that are not met by state or federal support and (2) to implement a plan for meeting these needs through private gifts support. To fulfill these purposes, it shall be the responsibility of the Office of Development to institute an organized program for obtaining gift support from alumni, friends, faculty and staff, corporations, organizations, and private foundations for both annual and capital purposes. In keeping with this policy, the Board of Trustees has set forth the following policy statement and guidelines:

> Solicitation of gifts made by anyone for the benefit of XYZ University, or any agency thereof, shall require the prior approval of the president through the Vice President for University Advancement.

Guidelines for Policy Implementation

To maximize the effectiveness and efficiency of the services provided by the Office of Development, the guidelines governing fund raising for the benefit of this university and all its functional units are as follows:

1. Coordinating Appeals for Funds and Approaches to Donors

In order to avoid an excessive number of solicitations in the name of XYZ University, it shall be the responsibility of the Office of Development, in consultation with the Vice President for University Advancement, to serve as the coordinating agency for all types of fund-raising programs and for all solicitation of funds from private individuals, foundations, businesses, corporations, and organizations. Any written request to undertake a fund-raising program or to solicit contributions from individuals, private foundations, businesses, corporations, and organizations must first be reviewed through regular channels by the appropriate department head and dean. Any request involving the planning, construction, or expansion of a building funded by private-sector gifts shall be submitted to the appropriate dean and the Vice President for Business Affairs. Activities to be coordinated through the Office of Development include:

A. annual alumni fund-raising campaigns
B. establishment of an "associates," "friends," or "membership" program designed to solicit financial support
C. special fund-raising efforts appealing to various university constituencies regarding scholarships, memorial funds, fellowships, aid programs, professorships, endowed chairs, etc.
D. fund raising for the construction, expansion, or renovation of a university building, regardless of other sources of funding (with all appropriate vice presidents' approvals)
E. requests to private sources for the funding of new or existing academic programs
F. all other programs to raise funds in the private sector.

2. Accepting, Recording, and Acknowledging Gifts

It shall be the responsibility of the Gifts Records Office (within the Office of Development) to record officially and acknowledge receipt of all gifts to the university or any agency thereof, including cash, pledges, securities, trusts, insurance policies, real estate, and other gifts-in-kind. Therefore, all

gifts and donations must be processed through the Gifts Records Office before being deposited in any university account or outside organization account. A complete and accurate record of every donor to the university shall be maintained by the Gifts Records Office and shall be kept strictly confidential. Donor anonymity shall be protected whenever requested.

Major gifts shall be acknowledged by the president, as informed by the Office of Development, and by others who deem it appropriate.

All gifts-in-kind and restricted gifts to XYZ University shall be reviewed by the Office of Development in conjunction with the unit designated to receive the gift, as well as the University Council, as follows:

A. Gifts-in-Kind. Gifts-in-Kind (art objects, equipment, securities, real estate, etc.) should be reviewed with special care to ensure that acceptance will not involve financial commitments in excess of budgeted items or other obligations disproportionate to the usefulness of the gift. Consideration should be given to the cost of maintenance, cataloguing, delivery, insurance, display, and any space requirements for exhibiting or storage.

When gifts-in-kind are given to this university with the donor intent of receiving a tax deduction, it shall be the responsibility of the donor, not the university, to obtain an appraisal of the gift. The university shall not become involved in the appraisal process. (Direct involvement could result in the appraisal's accuracy and objectivity being challenged by the Internal Revenue Service.)

It is in the donor's best interest that the university neither provide directly nor be responsible for securing the services of appraisers in connection with gifts to the university.

A report of all prospective gifts-in-kind should be submitted to the Office of Development. Subsequently, all gifts-in-kind to the university shall be inventoried by the university and become the property of the institution or foundation.

B. Restricted Gifts. Acceptance of a gift imposes a legal obligation to comply with the terms established by the donor. Therefore, the nature and extent of this obligation must be clearly understood. Accordingly, the terms of each restricted gift will be reviewed carefully to ensure that they do not hamper the usefulness and desirability of the gift to the university. If a gift is deemed unacceptable because of restrictions the donor has placed on its use, the donor shall be counseled to remove or modify the restrictions. Gifts shall be refused or returned when the purpose: (1) is inappropriate or not conducive to the best interest of the university, (2) is clearly commercial, or (3) would obligate the university to undertake responsibilities, financial or otherwise, that it may not be capable of meeting during the period required by the terms of the gift.

3. Setting Minimum Funding Requirements

The Office of Development shall maintain up-to-date information as prescribed by the Board of Trustees pertaining to fund-raising matters, including the percentage or amount of gifts expected or required to name buildings, endow professorships, endow chairs, establish names scholarship funds, etc.

4. Determining Budget for Fund Raising

The formulation of budgets for private fund-raising projects is the consultative responsibility of the Office of Development and the Vice President for University Advancement.

5. Preparing Fund-Raising Literature

Any literature (including brochures, booklets, and letters) used to attract private funds to the university shall be coordinated through the Office of Development to ensure dissemination of the most accurate information appropriate to a particular fund-raising effort. Accordingly, the Office of Development shall be responsible for establishing and maintaining a master calendar that incorporates the schedule of all fund-raising mailings and solicitations.

6. Reporting Private Philanthropy

It shall be the responsibility of the Office of Development, in conjunction with the Vice President for University Advancement, to compile official records on all private gifts.

7. Maintaining Prospect Files

It shall be the responsibility of the Office of Development to establish and maintain prospect and resource files for the purpose of providing timely and relevant information about prospective individual donors, private foundations, and corporations.

8. Involving Volunteers in Fund Raising

Whenever volunteers are to be involved in fund-raising efforts, it shall be the responsibility of the Office of Development to assist in selecting and recruiting the volunteers and to provide them with the training and information required for effectiveness in soliciting funds.

9. Identifying and Coordinating Appeals to Corporations and Foundations

It shall be the responsibility of the Office of Development to coordinate the cultivation and solicitation of corporations and private foundations. This coordination will prevent an excessive number of solicitations to any single source of private corporate or foundation funds. In the case of contract proposals to corporations, the Office of Development should be notified by the appropriate university unit in advance so that the corporation's contracted involvement will be reflected in the Office of Development's prospect files.

10. Preparing Public Statements on Gifts to the University

It shall be the responsibility of the News Bureau of XYZ University, in coordination with the Office of Development and the Vice President for University Advancement, to initiate the preparation of all public statements about gifts to the institution or any units thereof. Coordination shall also include the unit designated in a restrictive gift.

11. Processing Gifts

All gifts of cash received by any school, department, or administrative office are to be transmitted directly to the Office of Development. Gifts received must be transmitted at the earliest possible opportunity (no later than three working days after receipt) accompanied by *all original correspondence* pertaining to the gift and the following information:
A. donor's name and street address. If the gift is from an entity other than an individual—i.e., corporation, foundation, association, etc.—an individual's name and title should be reported in addition to that of the firm.
B. amount of the gift
C. date of receipt of gift
D. account number and name in which gift is to be deposited (if a new account is to be established for the gift, this should be indicated)
E. designation (school, department, or activity)
F. purpose (scholarship, institute, cost of education, research, general fund, etc.)
G. other comments or special instructions. (If no original correspondence accompanied gift, this must be stated in writing when the gift is transmitted.)

All correspondence pertaining to the gift, its handling or use, and a copy of any acknowledgment written by the recipient should be attached to the gift transmittal along with the check or currency. This should be done within three (3) working days after receipt of a gift. Copies of the gift transmittal and related correspondence shall become a part of the permanent gift files.

12. Transferring Securities

When securities are transferred, the donor and Development Officer shall sign specific documentation verifying the specific date of actual transfer. The donor's tax deduction and foundation's evaluation should be calculated as the average between the "high" and "low" trade on the date of receipt of the securities in the Office of Development.

13. Accepting and Acknowledging Gifts

Upon receipt of a gift and/or any gift-related documents, the Office of Development shall record the gift and acknowledge the donor.

A. A complete record of every individual donor's contributions shall be maintained.
B. Restricted gifts shall be recorded by the use of fund codes.
C. Personal letters acknowledging all gifts over $500 shall be sent to donors by the president of the university. Personal letters acknowledging all gifts of $100 to $500 shall be sent to donors by the Vice President for University Advancement.

Gifts-in-kind (securities or other negotiable assets, real estate, equipment, books, works of art, etc.) require special handling. If the acceptance of a special gift is contemplated or an inquiry about a gift of this nature is received, the Office of Development should be contacted immediately. The need for independent appraisals and the tax consequences resulting from nonmonetary gifts are but two of the concerns that must be resolved prior to their acceptance.

Gifts by bequest offer the greatest potential for private fund cultivation for the benefit of the university. Knowledge of individual interests in bequests comes through a variety of channels. Individuals may write directly requesting information. Attorneys may write seeking information for clients. Individual faculty and staff members may learn of such interest when their counsel is sought, while on numerous occasions, there is no knowledge until after the death of testator. Staff personnel in the Office of Development are available for personal consultation on gifts by bequest as desired.

Matching gift programs are offered by many business firms. Through matching gift programs, a donor may have a gift "matched" by the employer, and many firms match gifts on a two-for-one or three-for-one basis. This practice is becoming an increasingly important aspect of development, and every effort should be made to determine whether a donor is employed by a firm that sponsors such a program. Lists of firms that sponsor matching gift programs are available in the Office of Development.

14. Using Gifts/Grants

In determining how their contributions may be applied for the greatest service and impact, donors have many options. Some appear below.

Unrestricted Endowment

A. General purposes as XYZ University Foundation determines.
B. General purposes for department/services:

For Students	*For Faculty*
Honor scholarships	Endowed chairs
Financial aid grants	Professorships
Loans	Visiting artists/scholars
Work-study grants	Lectureships
Graduate fellowships	Teaching assistantships
Research fellowships	Publications funds
Internships	Professional travel funds
Achievement Awards	Special Research
Independent study	Achievement awards/honors
Student activities	Sabbatical leaves

For Departments/ Schools	*For Physical Plant*
Funds for excellence in teaching	Naming of buildings, floors, laboratories, residence halls, offices, fixtures, etc.
Program innovation	Renewing or recycling of buildings
Library/Publications acquisitions	Construction of new buildings
Naming of departments/schools	Building maintenance
	Campus beautification

15. Obtaining Clearance

To avoid institutional and donor embarrassment, multiple appeals and/or solicitation of gifts from businesses, individuals, organizations, or foundations must be cleared through the Vice President for University Advancement.

16. Including a Permanency Clause

As appropriate, the terms of any designated or endowed fund must include language to permit the Foundation Board to modify use of such funds if conditions warrant in the future. Such action may be authorized by the donor by including the following clause in the transfer of assets while living or by bequest:

> If, in the opinion of the XYZ University Foundation, Inc., Board, all or part of the earnings of the fund cannot be usefully applied to the purpose designated (or in the manner requested), the Foundation Board may use the same for any purpose within its corporate powers to decide or for any other purpose which, in its opinion, will most nearly accomplish my purposes, wishes, and intent.

17. Discouraging Undesirable Gifts

"Undesirable" gifts are those:

A. restricted in use based on race, color, religion, creed, nationality, or sex

B. restricted in beneficiary to relatives or descendants

C. reserving the designation of beneficiary of gift to the donor or his or her assigns; i.e., scholarships, fellowship, professorship (Such "gifts" restrict donor tax consequences.)

D. restricted to the future employment of the recipient of any gift

E. restricted by interest rates and conditions for repayment of loans

F. involving any proposed endowment fund of less than $5,000 for which additional sums are not guaranteed and certified in writing.

18. Providing Annual Reports

Donors of gifts exceeding $5,000 shall receive annual reports on uses of funds provided, insofar as is practical.

19. Recognizing Donors in Endowment Funds

Named endowment funds can be established only for those amounts exceeding $5,000, as appropriate for the purpose requested; named funds indicated herein are minimal and shall be "open-end funds" (available for additions to capital) unless the donor restricts such flexibility, subject to acceptance by the Foundation Board.

20. Soliciting Group Funds

The solicitation of institution-maintained funds to be used or administered by groups of alumni or other groups or officers, faculty, or staff should be solicited in the name of the institution only when approved in advance and when controlled by the institution for educational purposes. Special funds to be held by department chairpersons and other persons outside the normal accounting and acknowledgment procedure are illegal.

21. Accepting Commemorative Gifts

Gifts to honor, memorialize, or otherwise recognize individuals shall be subject to Board of Trustees approval in advance of receipt.

A. Deferred life income funds shall not be considered fulfilled commitments for naming purposes until the full amount of financial obligation is ensured.

B. Naming of a building for a donor requires approval of the Board of Trustees. Naming for a donor shall be considered only when the gift commitment is at least $1,000,000 or 51 percent of the construction cost. The naming of buildings having major renovations should follow the same policy as new construction. If a building is named already, the use of a hyphenated pair of names can be considered.

C. The naming of academic programs shall be acceptable only upon provision of substantial program costs (over 51 percent) provided by donor unless exception is made in advance by the Board of Trustees.

22. Developing Endowment Funds

It shall be the general policy of XYZ University and Foundation to approve the establishment of activities supported by unrestricted and/or undesignated funds, upon the receipt of resources described below and according to general policies of the Board of Trustees.

Minimum dollar amounts for endowment fund objectives gifted herein are *absolute*. As the nation's economy expands, inflation spirals, and costs rise, so must endowment minimums.

A. *Building an Endowment*

The Foundation Board may establish an endowment fund with amounts less than those stated herein if, within a reasonable period of time from the date of the receipt of first resources and approval of the desire of the donor, the entire principal thereof (including capitalized earnings and additional gifts) shall equal at least one-half of the stated minimum of the desired objective. If one-half of the minimum fund has not been so provided in a reasonable time, the fund may be terminated and the amounts given used for the general institutional purposes most resembling those desired by the donor. The earnings from a fund established as herein provided and not terminated shall continue to be capitalized annually until the minimum stated above has been reached and the purposes of the fund activated.

B. *Ensuring an Endowment*

A fund may also be activated when it is under the stated minimum if the donor undertakes a binding obligation to supplement the income of the fund with annual gifts to complete the endowment or with irrevocable estate plan provisions.

C. *Compensating Faculty*

Chairs: Donors interested in an area of study within the basic academic offerings of the institution may establish such a fund for a sum not less than $750,000. Endowed chairs for multidisciplinary studies shall be established to cover all costs of salary, travel, and expenses for a sum not less than $1,000,000. Such endowments are intended to relieve budgets rather than overexpend them.

Professorships: A named professorship may be established to supplement budgeted support for an existing teaching position for a sum not less than $250,000.

Visiting Scholars/Artists: Funds for specialized presentation by outstanding authorities or experts adds an important dimension of quality to the educational process. Opportunities for such support exist within each university unit/department. Funds for such functions must cover fees, travel, living, promotion expenses, and insurance and should exceed $100,000.

Lectureships: Funds for special lecturers may be established for sums of at least $25,000.

Other Funds: Teaching assistantships may be established for sums of at least $100,000; publications funds, $25,000+; professional travel funds, $25,000+; and achievement awards and honors, $10,000+.

D. *Rewarding Students*

Scholarships: A scholarship may be awarded to an undergraduate student in the basic program of the university for a fund of at least $50,000; honor scholarships encouraging special study for students of high promise, $100,000+, representing full costs for one year; tuition scholarship, $60,000+; room and board scholarships, $30,000+.

Fellowships: Awards for graduate student honors and/or assistance may vary greatly depending on the area of study, research required, student's marital and family status, and degree publishing requirements. Named endowments should amount to at least $50,000 each.

Financial Aid: Financial assistance may be given to deserving students who need supplemental assistance and who have good academic records. Endowment sums should amount to at least $5,000; student loan funds, $5,000+.

Other Funds: Achievement awards, student activities, athletic funds, travel-study

awards, and many other gift opportunities are available for sums of $5,000+.

E. Improving Teaching

Program innovation, library acquisition, faculty professional meetings, equipment funds, research funds, and other gift objectives may be created for sums of *less than* $10,000.

F. Maintaining Physical Plant

Endowment funds for the maintenance of existing buildings, rooms and features, for modernization of buildings and units, as well as for campus beautification could be available on request from $5,000 to millions of dollars depending on the size of a building or facility. Such units and facilities offer visible, permanent tributes.

G. Acquiring Furnishings/Equipment

Laboratory and office equipment, transportation vehicles, supplies, and other useful equipment may be offered at donor-appraised values.

23. Allocating Gifts

All gifts, grants, dividends, interest, or other financial resources shall be allocated first according to donor wishes and/or presumed intent, next in response to institutional request, next in consideration of general operational requirements, and next to build a substantial endowment for future institutional needs.

24. Devising Forms of Bequests

All wills, bequests, or estate plan documents that provide funds or other assets for use of the university must be made payable or transferable to "XYZ University Foundation, Inc.," the approved corporate body to receive, manage, and disburse such assets.

Depending on the size of unrestricted bequests, all such bequests shall be added to the general endowment fund of the Foundation.

All gifts received for restricted endowment purposes, when accepted, shall be accepted only on the condition that should the purpose for which the funds are provided cease to exist, the Foundation Board shall reallocate the income from those funds to purposes relating as closely as possible to the original intent of the donor. Such provisions should be provided in all wills and devises as far as possible.

25. Maintaining Institutional Advancement Data Confidentiality

Biographical and financial records stored in any computer data base should be treated as confidential information and should not be released or accessed without specific written approval of the President, Vice President for University Advancement, or designated officials in the Development and/or Alumni Office. Under no circumstances shall data be released for the primary purpose of private enterprise or gain. All Freedom of Information Act regulations shall be observed.

Step **2**

State Your Case

Many state institutions have embarked on fund-raising programs in recent years but have failed to explain adequately why private gift dollars are needed, perhaps because they consider such needs obvious. However, if an institution cannot properly frame and express its unique needs for private support, it cannot expect to receive such support. Many constituents believe that public institutions are state "supported." The difference between state "support" and state "assistance" should be communicated clearly in a written institutional case statement before any attempt is made to raise private gifts. The case statement should describe the institution's need for private support and suggest to the donor what he or she should give to the institution. It should encourage both unrestricted and restricted giving.

A sample annual fund case statement follows. If used by a public university, it should be strengthened by specifically stating the outstanding and unique qualities of the institution, and it should express the institutional management vision.

Sample Case Statement

Why This University Needs Private Support

Today, being good is not enough. Our mission is to achieve the highest level of excellence, which can be realized only through private support.

Private support is vital to providing the flexibility indispensable to building a sound educational program. Much of the most up-to-date teaching and research equipment, many of the educational innovations, the research achievements, scholarships, and cultural activities of XYZ University are made possible through such support.

The state has entrusted this university with the needs of its citizens in education, health care, and research. Such endeavors require substantial support. Despite continuing funding needs, the university has met the challenge and established a reputation for excellence.

Prominence is hard won, and continued growth depends on enhancement of our achievements.

The university is a source of educated people and new ideas—both essential to a sound economy and a free society. By supporting this university through private gift, donors are making an investment that will be repaid handsomely in the ever-increasing quality of the university students, faculty, staff, and alumni.

What is the Annual Fund?

The Annual Fund is the opportunity for a yearly investment in the future of this university and the people it serves. It is a pooling of resources from alumni and other friends that enables the university to expand offerings and to enrich its many worthwhile programs.

Through Annual Fund gifts and pledges, those concerned about the university can help guarantee its margin of excellence. The Annual Fund includes all alumni gifts and nonalumni gifts to the University Foundation that are unrestricted or designated for various departments or programs.

The Fund's Uses

Tax-deductible gifts to the university and its Foundation can be unrestricted in nature or designated for specific areas. Those given for a certain activity or program shall be used according to the donor's wishes.

Gifts designated as unrestricted can be used for any of the university's programs. These funds shall be allocated wherever the need is greatest.

Both types of gifts will help build a better university. Contributions may be made as gifts of cash or securities, gifts in trust with reservation of income to donors, or a transfer of property (such as real estate). Gifts are tax deductible as provided by law.

The Fund's value exceeds it monetary value: the real worth of the Annual Fund is the visibility and acknowledgment of need it represents.

The Annual Fund...

- provides scholarships and loans for students
- increases the number of distinguished faculty through endowed chairs and distinguished professorships
- builds special facilities
- provides special academic opportunities for students
- broadens educational opportunities for minorities
- enhances the academic quality of students

•provides emergency loans to needy students
•expands collections and library holdings and
•preserves the cultural and historical background of the university.

Step 3

Incorporate

"A tax-exempt organization is a unique entity. Almost always, it is a nonprofit organization," states Bruce Hopkins in *The Law of Tax-Exempt Organizations* (New York: John Wiley & Sons, 1987). A nonprofit organization is usually chartered (incorporated) based on state law while "tax-exempt" status is rooted in federal law. Nonprofit organizations are often referred to as the "independent sector" of American society and for the most part have been granted tax-exempt status and the opportunity to receive tax-deductible contributions.

Section 501(c)(3) of the Internal Revenue Code states that an organization may qualify for exemption from federal income tax if it is organized and operated exclusively for one or more of the following purposes: charitable, religious, educational, scientific, literary, public safety, fostering national or international amateur sports competition (but only if no part of its activities involves the provision of athletic facilities or equipment), or the prevention of cruelty to children or animals.

This section of the Internal Revenue Code is vital to the operation of a foundation because such classification makes donor contributions deductible as charitable contributions on a federal income tax return.

Most discussions of foundations and tax policy related to higher education focus on Section 501(c)(3) of the Internal Revenue Code. Section 501, first enacted in 1917, singles out certain organizations for special tax treatment. Section 501(a) exempts from federal income tax those organizations described in Section 501(c)(3).

Other sections of the Internal Revenue Code elevate the importance of Section 501(c)(3): they "provide that such organizations are eligible to receive gifts and bequests that are deductible in computing the income, gift, and estate tax liabilities of the donors" (Persons et al., 1977, p. 1901).

Publication 557 of the Internal Revenue Service (IRS) details the procedures for organizational application for tax-exempt status and the various qualifications necessary for such status. Any organization considering applying for qualification as a 501(c)(3) tax-exempt organization should consult this publication and an attorney.

The first step in forming a private foundation is to identify persons who can serve as incorporating directors and to employ an attorney to draft a charter to be filed with the Secretary of State. After a corporate charter is obtained, the next step is to file IRS Form 1023 to apply for a 501(c)(3) tax-exempt status. (This will be addressed in more detail in Step 5.)

The Articles of Incorporation should contain the required information on purposes and powers of the organization and disposition of its assets upon dissolution. (Publication 557 includes a sample set of Articles of Incorporation.) Requirements for these instruments may vary from state to state; however, there are some standard items. The corporate charter should state the purposes of the corporation (foundation), list the composition of membership and board of directors, and fix the corporate year. The charter should be broad in nature, providing for bylaws that set forth the number of members, directors, officers, meetings, etc. Articles of Incorporation should also include the official name of the corporation and principal office location.

Names and addresses of persons who are the initial trustees of the corporation must be listed. These persons do not have to be persons who will later be directors elected under provisions of the bylaws. A statement that no part of the net earnings of the corporation shall inure to the benefit of, or be distributable to its members, should be included in the articles. Finally, a statement should be included addressing the dissolution of the corporation and how the remaining assets are to expended. If the organization desires to obtain recognition of exemption as an educational organization, it is important to submit information on how

the organization carries on or plans to carry on its educational objectives.

The following types of organizations may qualify as educational:

- an organization, such as a primary school, secondary school, college, etc., that has a regularly scheduled curriculum, a regular faculty, and a regularly enrolled student body in attendance at a place where educational activities are regularly conducted
- an organization whose activities consist of conducting public discussion groups, forums, panels, lectures, or other similar programs
- an organization that presents a course of instruction by means of correspondence, television, or radio
- a cultural-enrichment organization such as a museum, zoo, planetarium, symphony orchestra, or other similar entities.

An alumni association should demonstrate that it is organized for the purpose of promoting the welfare of the college or university with which it is affiliated, is subject to control of the college regarding policies and use of funds, and is operated as an integral part of the college, or is otherwise organized to promote the welfare of the college. If the association does not possess these characteristics, it may be exempt as a social club if it meets the requirements of 501(c)(7).

Every organization that qualifies for tax exemption under Section 501(c)(3) is a private foundation unless it falls into one of the specific categories excluded from the definition of that term and referred to in Section 509(a)(1), (2), (3), or (4). It is more important to determine whether an organization exempt from income tax will be presumed to be a private foundation unless it notifies the Internal Revenue Service within a specified period of time that it is not. This notification requirement applies to most 501(c)(3) organizations regardless of when they are formed. Some private foundations under Section 501(c)(3) are classified as public charities.

To be classified as a public charity, an organization must be one of the following:

- a church (including a convention or association of different denominations)
- an educational organization, such as a school or college
- a hospital or medical research organization operated in conjunction with a hospital)
- an organization operated for the benefit of certain state and municipal colleges and universities
- a government unit
- a publicly supported organization.

A university foundation can be either an "open" or a "closed" corporation. "Open" means that the charter provides for the election of members, whereas a "closed" foundation has no members, and its affairs are handled by an elected board of directors that perpetuates itself.

After a charter has been filed for incorporation, it will be necessary to begin organizing the foundation into a workable body. Consideration should be given to proper balance between "outside" and "inside" directors. To minimize any legal reservations about the foundation being affiliated with the state, it would be wise to have a majority of outside directors. Outside directors are individuals not employed by the state or institution. Inside directors are those directly related to the institution because of employment, trustee membership, etc.

The initial board of directors should draft the bylaws of the corporation as one of its first official acts. The bylaws should include all specifics about membership, terms, officers, number of meetings, committees, and election procedures.

It is advisable to set terms of service for directors that provide a fixed number of directors from year to year and avoid the necessity of having to replace or reelect all directors in the same year. Most foundations seem to function best with a body of directors

whose number is a multiple of three and who are elected to staggered three-year terms.

Bylaws should foster harmony between foundation and institution. There should be a balance between roles served by outside directors and by officers of the institution. One successful organizational structure involves the president of the institution serving as foundation chairman of the board and an outside director serving as foundation president.

Questions often arise about the viability of having faculty members serve as directors. In general, because the foundation will be in a position to support various faculty projects, faculty directorships may provide a conflict of interest and, therefore, should be prohibited in the bylaws.

In nonmembership foundations, the biggest problem with bylaws is often the treatment of terms of office for directorships. Many organizations forget to set limits on directorships or simply avoid the question because of fear of losing good persons. An appropriate way to handle the problem of length and number of terms of directors, without losing good leaders, is to provide for emeritus status. One model foundation is structured to provide directorships with three-year terms and permits reelection twice. After a director has served for nine years, the director may be elected to emeritus status. As an emeritus director, an individual is invited to participate in all meetings but does not having voting rights.

Bylaws should also include an article on "conflict of interest" because this issue is emerging in many states as a point of interest among legislators and state judicial officials. Some of the concern must stem from the fact that most states have explicit laws pertaining to conflict of interest of persons appointed to public boards. The conflict-of-interest policy of most state government board appointments is too strict to allow for the best possible influential leadership on a foundation board. Most policies would prohibit college and university foundations from attracting the financial leadership necessary for successful fund raising. In the sample Articles of Incorporation that follow, the statement in Article IV Section 12 addresses this problem by building in some flexibility in the selection of directors.

Sample Articles of Incorporation

State of _____
County _____

The undersigned, desiring to form a nonprofit corporation under the [state] "Non-Profit Corporation Act," with all of the powers of a corporation organized under said act and under the constitution and laws of [state], file these Articles of Incorporation and certify as follows:

Article I. Name

The name of the corporation shall be XYZ University Foundation (hereinafter called the "corporation").

Article II. Duration

The period of duration of the corporation shall be perpetual.

Article III. Purposes

The corporation is organized exclusively for charitable, scientific, and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue law). The corporation shall operate exclusively for the benefit of XYZ University in [city], a division of the Board of Trustees of XYZ University, a public corporation, or any organization that may be established to succeed the Board of Trustees of XYZ University in the operation of any of the facilities of XYZ University in [city].

Articles IV. Powers

Without limiting the general powers granted to the corporation by [state] law, the corporation shall have the following specific powers:

A. to promote and carry on scientific and medical research and allied supportive activities

B. to aid the fulfillment of the research, teaching, and service functions of XYZ University

C. to make grants and loans of any corporate property for the purposes of furthering the scientific, charitable, or educational purposes of the corporation

D. to solicit, accept, administer, and disburse gifts, grants, and bequests of property of every kind or to hold said property in trust in such manner as the corporation deems appropriate for the furthering of the purposes of the corporation

E. to provide or assist in providing facilities for scientific research by which discoveries, inventions, and publications for the advancement of humanity and its environment may be developed and to determine the public use of such discoveries, inventions, and publications

F. to make applications for and obtain patents, patent rights, and copyrights for any inventions or publications and to hold and license patents and copyrights, provided, however, that all income from such patents or copyrights shall be devoted to the scientific, charitable, and educational purposes of the corporation and none of such income shall accrue to any officer, director, or employee of the corporation except for remuneration for services or except as an inventor or author of a project

G. to receive grants from government or other sources and to disburse such grants for the support of scientific, educational, and medical research

H. to make distribution to XYZ University or any organization organized to support XYZ University that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986 (or any corresponding provision of any future United States Internal Revenue law).

Article V. Use of Earnings and Lobbying Activities

No part of the net earnings of the corporation shall inure to the benefit of or be distributable to its directors, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered. No substantial part of the activities of the corporation shall be the carrying on of propaganda or otherwise attempting to influence legislation, and the corporation shall not participate in or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office.

Notwithstanding any other provision of these Articles, the corporation shall not carry on any other activities not permitted to be carried on: (a) by a corporation exempt from federal tax under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Revenue law) or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue law).

Article VI. Members

The corporation shall have no members. [If these Articles were for an "open" corporation, the wording of this provision might resemble the following: "All persons making gifts to the corporation shall be members of the corporation during the calendar year that such gifts are made."]

Article VII. Board of Directors

The initial Board of Directors of the corporation shall consist of:

[John S. Smith, city, state]
[William R. Jones, city, state]
[Thomas B. Brown, city, state]

Article VIII. Initial Board of Directors

The initial Board of Directors of the corporation shall consist of:

[John S. Smith, city, state]
[William R. Jones, city, state]
[Thomas B. Brown, city, state]

Article IX. Dissolution

In the event of the dissolution of the corporation, the Board of Directors shall cause the assets of the corporation to be distributed as follows:

A. All liabilities of the corporation shall be paid or adequate provision shall be made for payment;

B. Assets held by the corporation upon a condition that occurs by reason of the dissolution shall be returned or conveyed in accordance with such requirements; and

C. All of the remaining assets of the corporation shall be conveyed to the Board of Trustees of XYZ University or its successor, if said corporation or its successor shall qualify as an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue law). If said corporation or its successor shall not so qualify, the remaining assets shall be conveyed to some other organization or organizations organized and operated exclusively for charitable, educational, religious, or scientific purposes that are qualified as an exempt organization or organizations under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue law).

Article X. Registered Agent

The principal and initial registered office of the corporation shall be at [Room 000, building, XYZ University, street, city, state, zip code]. The initial registered agent of the corporation shall be [Thomas B. Brown].

Article XI. Incorporators

The names and addresses of the incorporators of the corporation are:

[John S. Smith, city, state]
[William R. Jones, city, state]
[Thomas B. Brown, city, state]

IN WITNESS WHEREOF, the undersigned incorporators have executed these Articles of Incorporation this _____ day of _____ [year].

_____

[John S. Smith]

_____

[William R. Jones]

_____

[Thomas B. Brown]

STATE OF _____

COUNTY _____

I, the undersigned, a Notary Public in and for said County in said State, hereby clarify that [John S. Smith], [William R. Jones], and [Thomas B. Brown], whose names are signed to these Articles of Incorporation, and who were made known to me, acknowledged before me on this day that, being informed of the contents of said Articles of Incorporation, they executed the same voluntarily on the day the same bears date.

_____

Notary Public

Sample Bylaws

Preamble

The XYZ University Foundation, Inc. is the main fund-raising organization of XYZ University for the receipt and management of all private gifts.

Article I. Office

The principal office of the XYZ University Foundation shall be located in [city, county, state].

Article II. Seal

The seal of the Foundation shall be a circle with the words "XYZ University Foundation, Inc."

Article III. General Organization

There shall be no limit to the individuals who may be members of the XYZ University Foundation, Inc. The Corporation is to have the following classes of members: (1) ex officio members, (2) members from the university Board of Trustees, (3) public members.

Public members shall be elected by the members from nominations submitted by the Executive Committee. Nominations may also be made by the membership at the annual meeting. Members shall be elected for a three-year term and may succeed themselves. Members of the Foundation shall meet once a year after January 1 but prior to February 28 for the purpose of electing Directors and to transact other business that may properly come before the members of the Corporation. Directors shall be elected by the members from nominations submitted to the members by the Board of Directors. The said nominations made by the Board will be selected from recommendations made to the Board by the Executive Committee. Additional nominations may be made by the members at the annual meeting prior to the election. The secretary shall mail written notice of these meetings to the Directors and membership at least ten (10) days prior to said meeting.

Article IV. Board of Directors

Section 1. General Power. The entire management of the Foundation and its property is vested in its Board.

The Board of Directors of said Foundation shall have full power, except as prohibited by the terms of any instrument of gift, devise, bequest or other transfer, at its sole discretion, to change the form of any investment and for that or other purposes of the Corporation to dispose of any securities or other property held by said Corporation.

Section 2. Number. The Board of Directors of the Corporation shall consist of twenty-four (24) individuals who may be but are not required to be members of the Foundation.

Section 3. Quorum. A majority of the members of the Board shall constitute a quorum for the transaction of business. However, less than a majority of the members of the Board may adjourn a meeting from time to time after determination of an alternate date for a meeting of the Board and notification of the directors.

Section 4. Ex Officio Directors. There shall be six (6) Ex Officio Directors. The following persons shall be members of the Board during their respective terms of office and shall serve ex officio with full voting rights: (1) President of the University; (2) Vice President for Business Affairs, (3) Chairman of the Board of Trustees of XYZ University, (4) Vice President for University Advancement, (5) Director of Development, and (6) President of the Alumni Association. [The issue of :"full voting rights" might be a problem in some states. Legal advice should be sought on this issue to protect the privacy of Foundation information.]

Section 5. Public Directors. There shall be eighteen (18) Public Directors. Members of the Board who are not "Ex Officio" Directors shall be known as "Public Directors." These directors shall be elected as provided by the provisions in Article II above. The Public Directors shall be elected for terms of office as follows: six (6) directors shall be elected for

an initial term of one (1) year, six (6) directors for an initial term of two (2) years, and six (6) directors for an initial term of three (3) years.

Thereafter, all Public Directors shall be elected for a term of three (3) years upon the expiration of the previous term or until their successors have been elected and qualified. Directors shall be able to succeed themselves.

Section 6. Regular Meetings. Regular meetings of the Board shall be held semiannually unless other times shall be fixed by resolution of the Board. One of these regular meetings shall be held in conjunction with the annual meeting of the Corporation at the beginning of the year. (See Article III as to notice required.)

Section 7. Special Meetings. Special meetings of the directors may be called by the Chairman of the Board upon forty-eight (48) hours' notice. Special meetings may also be called at any time by petition of a majority of the directors.

Section 8. Manner of Acting. The act of a majority of the Board present at a meeting at which quorum is present shall be an act of the Board unless a greater number is required by these bylaws or by law.

Section 9. Vacancies. Any vacancy occurring among the Public Directors or any directorship to be filled by reason of an increase in the number of directors may be filled by the affirmative vote of a majority of the remaining directors, even though less than a quorum of the Board. A Public Director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office.

The continuation of a vacancy in an ex officio position or a public position shall not be deemed to be a default in the terms of the Articles of Incorporation or in the terms of these bylaws and the Board shall have full authority to continue to operate.

Section 10. Informal Action. Any action required by law to be taken at a meeting of the Board, or any action that may be taken at a meeting of the Board or of any committee of the Board may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors or committee members entitled to vote on the subject thereof. Such consent shall have the same force and effect as a unanimous vote of the Board and shall be recorded in the minutes of the Foundation.

Section 11. Removal of Directors. Any Public Director may be removed from the Board for any cause whatsoever by a vote of two-thirds of the full Board.

Section 12. Conflict of Interest. Any director or officer shall abstain from vote and discussion on any matter in which said director or officer may be considered to have a conflict of interest. An abstaining declaration shall be made for the record at the beginning of any such motion or discussion and shall be recorded in the official minutes of the meeting. The same conflict-of-interest procedures shall apply to any director participating in any committee action or vote.

Article V. Officers

Section 1. Officers. The officers of the Foundation shall be Chairman of the Board, President, Vice President, Secretary, and Treasurer.

Section 2. Chairman of the Board. The Chairman of the Board shall be the President of XYZ University, shall preside at all meetings, and shall serve as long as he or she is President.

Section 3. President. The President of the Foundation shall be elected by the Board of Directors at an annual meeting. This person shall serve as the official Foundation representative at all Foundation and university fund-raising activities. The term of office of the President shall be one (1) year. He or she shall serve as National Fund Chairman during the term of office and will be an ex officio member of all committees.

Section 4. Vice President. The Vice President shall be elected by the Board of Directors to serve a one-year term. He or she shall serve in the absence of the President.

Section 5. Secretary. The Vice President for University Advancement shall serve as Secretary of the Foundation. The Secretary shall keep the records of the Corporation and

books of account. He or she shall have the custody of the seal of the Corporation. He or she shall issue, sign, and seal together with the President, all instruments of writing affecting the Corporation, and the Secretary shall, in addition, perform all the other duties usually pertaining to this office.

Section 6. Treasurer. The Vice President for Business Affairs shall serve as Treasurer of the Foundation. The Treasurer shall have custody of all the moneys and securities of the Corporation. He or she shall keep regular books. All money of the Corporation shall be deposited in such depositories as shall be selected by the directors. Checks may be signed by anyone authorized to do so by the Board. [Some states may see this as a conflict, and it might be better to have a treasurer not directly employed by the institution.]

Section 7. Vacancies. A vacancy in any elected office may be filled by a majority vote of a quorum of the Board for the unexpired term of the predecessor in office.

Section 8. Delegation of Duties. The Board may delegate, for any reason, the powers or duties of any officer to any other officer or director.

Section 9. Removal. Any officer elected or appointed by the Board may be removed by the Board for any reason whenever in the Board's judgment the best interests of the Foundation would be served thereby. Such removal shall be without prejudice to any contract rights of the officer removed.

Article VI. Committees

Section 1. Executive Committee. The Executive Committee shall be the administrative body of the Foundation. The Board of Directors shall elect annually an Executive Committee to be composed of four (4) Public Directors. The Chairman of the Board and the President of the Foundation shall serve as ex officio members of the Executive Committee with full voting rights.

The function of the Executive Committee shall be to perform any routine administrative duties by express authority of the Board of Directors or subject to ratification of the Board at its next meeting, or any other matter as may be prescribed by the Board.

Section 2. Administrative Committees. The Chairman of the Board and the President of the Foundation shall appoint the following Administrative Committees and their respective chairs. The membership of these committees is limited to individuals who are members of the Board of Directors: (1) Special Projects Committee, (2) Budget Committee, (3) Investment Committee, (4) Gift Acceptance Committee, and (5) Restricted Fund Policy Committee.

Other Administrative Committees not having and exercising the authority of the Board in the management of the Foundation may be designated from time to time by the Board of Directors. The committees should be appointed annually. The duties and functions of such committees shall be determined by delegation of authority from the Board.

Section 3. Active Fund-Raising Committees. Active Fund-Raising Committees shall be chaired by a member of the Board and shall include a development officer and non-board member who shall be a member of the Foundation. Persons-at-large who are not members of the Foundation or Board of Directors may serve as members of active Fund-Raising Committees.

The Chairman of the Board, the President of the Foundation, and the Secretary shall appoint these committees and their chairs: (1) Major Donor Committees, (2) Deferred Gifts Committee, (3) Annual Fund committee, and (4) Corporate Giving Committee.

Other active fund-raising committees may be designated from time to time by the Board of Directors.

Section 4. Vacancies. Vacancies in the membership of any committee may be filled by appointment made in the same manner as that for original appointments.

Section 5. Quorum. Unless otherwise provided in the resolution of the Board designating a committee, a majority of the whole committee shall constitute a quorum, and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee.

Section 6. Rules. Each committee may adopt rules for its own management consistent with these bylaws or with the rules adopted by the Board.

Article VII. Finances

Section 1. Use of Income. All gifts to the Foundation or other income not otherwise designated by the donor shall go into the general fund of the Foundation and shall be used exclusively for the use and benefit of the university in accordance with the general purposes of the Foundation. The Foundation may receive, manage, invest, and disburse conditional gifts only if such gifts are for the exclusive use and benefit of the university.

The phrase "exclusive use and benefit of XYZ University" shall include gifts for the benefit of any separate or independent organization that is supportive of or affiliated with the university or its programs and functions, provided that such organization is: (a) organized exclusively for charitable, scientific, or educational purposes and for the exclusive use and benefit of the university and (b) qualified as an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue law). The Board may from time to time provide procedures for the establishment of special or designated funds to be administered by the Board under the conditions of their creation in accordance with the Articles of Incorporation.

Section 2. Contributions and Disbursements. All contributions received by the Foundation shall be deposited by the Treasurer in a special account or accounts in such banks, trust companies, or other depositories as the Board may select. All disbursements shall be made under a proper authority of the Board. All contributions to and disbursements from the Foundation shall be recorded by the Treasurer, and such records shall be subject to examination at any reasonable time, upon request, by any director.

Section 3. Budget. A statement of proposed operating income and expenditures for the following year shall be prepared by the Secretary and submitted to the Board annually. When approved by the Board, such budget shall be the only authorization for expenditures for operating expenses of the Foundation subject to subsequent changes made by the Board and the provisions of Section 4 below.

Section 4. Administration of the Budget. The Treasurer is authorized to make commitments for budgeted operating expenses. Checks or vouchers in payment of approved expenditures shall be signed by the Treasurer.

Section 5. Checks, Drafts, Etc. All checks, drafts, or orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Foundation shall be signed by the Treasurer or an Assistant Treasurer.

Section 6. Fiscal Year. The fiscal year of the Foundation shall be January 1 to December 31 of each calendar year but may be altered by resolution of the Board.

Article VIII. Execution of Contracts, Deeds, and Transfers and Representation with Reference to Securities

Section 1. Execution of Contracts and Deeds. Except as otherwise provided by resolution of the Board authorizing the execution thereof, all contracts, deeds, mortgages, pledges, transfers, and other written instruments binding on the Foundation shall be executed on behalf of the Foundation by the President, and the corporate seal shall be affixed and attested by the Secretary.

Section 2. Voting Securities Owned by the Foundation. Unless otherwise ordered by resolution of the Board, the President and Secretary or Treasurer shall have full authority on behalf of the Foundation to attend, to act, and to vote at any meetings of the stockholders, bondholders, or other security holders of any corporation, trust, or association in which the Foundation may hold securities. At any such meeting the

President and Secretary or Treasurer shall possess all of the rights and powers incident to the ownership of such securities, which as owner thereof the Foundation might have possessed if present, including the authority to delegate such authority to a proxy. The Board may, be resolution, confer like authority upon any other person or persons.

Section 3. Sale of Securities. Unless otherwise ordered by resolution of the Board, the President and Secretary or Treasurer are authorized and empowered jointly to buy and sell stock held or owned by the Foundation, for such consideration as should meet their approval, other writings necessary or convenient for achieving such purposes. The President and Secretary or Treasurer are further authorized to give or have given the proper notices of any such action, have all such dispositions registered and noted on the books and records of this or any other corporation or partnership when required, and to do all other things necessary or convenient to accomplish such purchases or sale.

Article IX. Exculpation of Directors

No director shall be liable to anyone for any acts on behalf of the Foundation or any omissions with respect to the Foundation committees by such director except for his or her own willful neglect or default, nor shall any director be liable to anyone for any act or neglect or default on the part of any one or more of the other directors of the Foundation in the absence of specific knowledge on the part of such director of such neglect or default.

Article X. Effective Date

These bylaws shall become effective upon their approval by the Board.

Article XI. Amendments

These bylaws may be amended or repealed and new bylaws may be adopted by a majority of the directors present at any regular or special meeting at which there is a quorum if at least ten (10) days' written notice is given of the intention to amend or repeal the bylaws or to adopt new bylaws at such meeting.

No amendment may be made to avoid limitations imposed by the Articles of Incorporation.

Step 4

Choose Directors

The incorporating directors can be institutional officials who later will become members of the board as specified in the bylaws.

How many directors should be on the board, and what should their qualifications include? Because fund raising is the most important function of the foundation, the first qualification for selection of a board member should be his or her ability to give "time, talent, and treasure." Other factors to be considered include banking and investment experience, legal background, corporate executive leadership, political balance, and minority representation. Geographically, directors should be representative of external constituencies, but most should reside in close proximity to the institution to allow participation in regular meetings. (Constituency representation should include a mix of alumni and nonalumni who provide the greatest gift potential for the institution.) These constituencies may include any or all of the following: alumni association, athletic boosters, business and industry, other private foundations, other entities related to advancement of the institution, board of trustees, institutional officers, and previous "major" donors.

A balance of inside and outside representation should be maintained so that the true mission and goals of the institution will be of prime influence in the decision-making process of the foundation. At the same time, as noted earlier, a majority of directors must be outsiders.

The institution president and one outside director should be considered major officers. This can be accomplished in several different ways. First, an executive committee can be appointed with the institution's president serving as the chair. This committee can be empowered with the responsibility to conduct the day-to-day business of the foundation. Another approach is to have the university president serve as president of the foundation. However, the disadvantage with this approach is that skeptics might infer that the board serves totally at the pleasure of the institution's chief executive officer and does not truly represent the value of the private donors.

A third way to organize the board, and one that has proven most effective, is the structure outlined in the sample bylaws preceding this chapter. In this structure, the president is one of six ex officio board members with full voting rights and serves as chair of the foundation. The president of the foundation is an outside director elected to the office for a set term. The major responsibility for guiding the foundation is shared between the two offices. For example, both serve as ex officio members of the board's executive committee and jointly appoint members of the administrative and fund-raising committees. The foundation vice president is elected from outside directors, the secretary is the chief advancement or development officer, and the treasurer is the chief fiscal officer of the institution.

In examining the sample bylaws, one should note that through the appointment of various committees, all directors participate actively in foundation programs. Because the foundation is an extension of the institution, its staff primarily will be the development staff of the institution. In some circumstances, state law stipulates that the entire development function must be funded from nonappropriated dollars. Where this is the case, the staff should be paid from foundation funds but should still report to institution officials.

The foundation organization described above allows the chief advancement officer to serve also as the executive secretary of the foundation, a common situation.

Step 5

"Halfway Home," or Getting the Exemption

After your organization has incorporated, has an approved set of bylaws, and has obtained an Employer Identification Number (EIN), it is time to apply for "Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code." Form 1023 and Publication 557 are necessities in this process. Elements of Publication 557 were discussed in Step 3; therefore, this section will focus only on the process of obtaining the exemption and the classification as a 509(a) "not a private foundation" charity.

Although the Form 1023 "Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code" is commonly considered an application for exemption as a "private foundation," Section 509 of the Code provides for specific exceptions. The language in the Code states, "In general, an organization is not a private foundation if it is: ...(c) an organization operated for the benefit of a college or university [which is owned or operated by a governmental unit]."

The 509(a) status is a designation based on the information submitted with Form 1023. The IRS will determine the designation of 509(a) "not a private foundation." You can request a "definitive ruling." However, you cannot get a "definitive ruling" before the first tax year, consisting of at least eight months. Until this condition is met, an organization must apply for an advance ruling or extended advance ruling.

If a newly created organization can reasonably be expected to meet the requirements of Section 509(a), it may request non-private foundation treatment for an advance ruling period of two tax years (three, if the first tax year is less than eight months). During this period the organization will be treated as a publicly supported organization; however, at the end of the period the IRS will determine whether the organization has met the statutory test for publicly supported organizations from its history of operations during the advance ruling period. If the organization does not meet the public support tests, it will be liable for the excise tax on investment income under Section 4940 for the period covered by its advance ruling. If an advance ruling is requested at the time the application is filed, the organization may not at a later date ask for an extended advance ruling. An extended advance ruling will be made only if requested at the time the application is filed.

An organization may also elect non-private foundation treatment for an extended advance ruling period consisting of its first five tax years by filing Form 872-C, "Consent Fixing Period of Limitation Upon Assessment of Tax Under Section 4940 of the Internal Revenue Code."

It is important on Form 1023 to provide the financial data in detail sufficient to show how an organization's activities are financed.

Although all steps for forming a foundation as outlined in this booklet can be completed without an attorney, the step of applying for tax exemption is difficult; therefore, expertise from the accounting and legal professions will be helpful in completing Form 1023.

My personal experience includes having done all steps in this publication successfully without other professional assistance. However, my Application for Recognition of Exemption process took over two years. After I filed initial Form 1023 with the District Director, my correspondence with the Deputy Director spanned more than two years. One question and response lead to another question. That response would then create another question. This seesawing continued for what seemed like forever. Therefore, I

strongly recommend using an appropriate attorney to direct the filing of Form 1023. It will be money well spent.

Form 1023 is divided into eight sections:

Part I--Identification

Part II--Type of Entity and Organization Document (requires attaching articles of incorporation and bylaws)

Part III--Activities and Operational Information

Part IV--Statement on Private Foundation Status

Part V--Financial Data

Part VI--Non-Private Foundation Status

Part VII--Basis for Status as a Private Operating Foundation

Part VIII--Required Schedules for Special Activities.

Section 508(a) provides that an organization organized after October 9, 1969 will not be treated as an organization described in Section 501(c)(3) unless it has given notice to the Secretary that it is applying for recognition of such status. Section 508(b) provides that any organization described in Section 501(c)(3) will be presumed to be a private foundation if it has failed to notify the Secretary that it is not a private foundation. Remember the objective is twofold: first, to obtain exempt status and, second, to be classified as "not a private foundation."

Step 6

Find Start-up Money

After the formation steps have been completed, an institution may still face one big problem if it has not previously raised any unrestricted private support: how to get start-up funds.

Several avenues are open for operating funds. If the alumni association is raising funds, its board may be approached and asked to consider coming formally under the "umbrella" of the foundation. Its funds would be entrusted to the foundation but used only for the purpose directed by the alumni board. Such an action should include appropriating some start-up dollars for alumni unrestricted support.

The foundation board may be organized into an effective personal solicitation campaign for unrestricted gifts from identified potential major prospects. Moreover, officials may research and solicit one or more private foundations to make gifts for the "seed" dollars to operate the foundation and encourage other private support.

Many institutions or their executive officers often express concern that all gifts might be restricted, making it impossible to fund personnel and operating expenses. It has been my experience that good fund-raising efforts and techniques will eliminate this problem. Restricted gift donors can be cultivated into making increased gifts and future unrestricted gifts. However, they will be discouraged and unsupportive if their interests and restrictions on gifts are not accepted.

It is also possible for the foundation to have some use of the investment income from restricted gifts or to have a percentage "surcharge" affixed to every restricted gift to assist with the costs of fund raising and honoring donors.

The following sample "Guidelines for Establishing College, School, Unit, or Department Foundation Funds" presume that unrestricted gift funds combined with interest income generated from "general" funds will be sufficient to meet operating costs. It is possible to take a percentage of all interest income "off the top" for operating expenses. Some foundations assess as much as 15 percent for overhead costs.

If this practice is to succeed, an experienced professional should be hired as the chief development officer. In the long run, the dividends will be greatest if the institution is committed to the cost and principle of hiring an experienced fund-raising professional as its chief development officer.

Sample Guidelines for Establishing Foundation Funds

The following guidelines should be adhered to in establishing, continuing, and utilizing a fund within the XYZ University Foundation for the benefit of a college, school, unit, or department within the university.

Purpose

A special fund should be established for a college, school, unit, department, or program within the framework of the XYZ University Foundation, which may supply supplementary funds for existing programs or new and different needs not included in the regular university budget or for those things for which state dollars cannot be used.

More specifically, disbursements from foundation funds may be used for the following:

1. *Student Aid*

A. scholarships

B. financial assistance to students for special student efforts and programs when university funds are not available

C. loans

2. *Research*

research grants for a particular college, school, unit, department, or program when funds are available from gifts designated for this purpose

3. *General*

A. costs associated with professional seminars

B. supplementary educational materials

C. special programs and materials

D. special equipment and publications

E. advancement of the university.

Note

All equipment purchased with Foundation funds is the property of the university and must be inventoried. Therefore, a purchase requisition must be completed and a purchase order number assigned.

Self-Interest

All gifts must conform to IRS regulations governing charitable contributions and cannot be restricted by the donor for his or her direct benefit.

Sources of Funds

The money contributed to these funds comes from private philanthropic dollars, including contributions from alumni, friends of the university, private foundations, and corporations.

Control

Funds acquired for a particular college, school, unit, department, or program shall be kept and managed by the Foundation. Authorization for a disbursement shall be made by the appropriate administrator of the program, department, school, unit, or college using a disbursement form supplied by the Development Office. Two copies of the form should be forwarded to the Foundation Office for drafting a check. The office shall send one copy to the Foundation accountant for bookkeeping, accounting, and documentation.

Interest Income and Fund Categories

Foundation funds shall be categorized as "General," "Term," "Endowment," and "Trust."

1. *General Funds*

General funds are to be used to pay incidental expenses of a school, unit, department, or program and can be withdrawn on short notice with the proper trust fund withdrawal forms submitted to the Special Funds Office. These accounts do not accrue interest.

2. *Term Funds*

Term funds are specifically designated restricted funds maintained with a minimum balance of $1,000 during the calendar year. These funds will accrue interest on the basis of the minimum balance during the calendar year and at a rate approved annually by the Foundation Board of Directors.

3. *Endowment Funds*

Endowment funds are specifically designated funds in which the corpus of the fund is to be perpetual and for which accruing interest can only be expended for the restricted purpose of the fund. Such funds must have a minimum balance of $5,000, and interest will be figured semiannually based on the fund's minimum balance during the period of January 1 to June 30 and July 1 to December 31 and as determined by the Board of Directors.

4. *Trust Funds*

Trust funds are specifically given to the Foundation as a trust and are bound by legal agreement(s) of the trust. All funds shall be commingled for investment purposes unless specifically established and prescribed by law to be maintained as a separate trust or specifically designated by the Foundation Board of Directors as a separate trust.

XYZ University Foundation, Inc.
Trust Fund Withdrawal Request

Submit two copies of this form whenever requesting a trust fund withdrawal.

Fund Code Number
Account Code _____

Fund Name _____

Amount of Withdrawal _____

Purpose of Withdrawal _____
(Attach receipts or documentation of expenses.) _____
_____

Check Payable To _____

Address _____

_____

If check to be sent to person other than payee, give name and address. _____
_____

Please deliver this form to the XYZ University Foundation Office.

Person Authorizing Withdrawal _____
(print or type)

_____
Date Signature

Officer Approval _____
Signature

Check Number _____ Date _____

Step 7

Establish Accounts

All private gifts can be categorized as one of the following types of foundation accounts that will prove most beneficial to the institution, foundation, and donors.

General accounts should be established as a restricted source of demand dollars available on short notice. Examples of such funds would be school, unit, or departmental discretionary funds. These funds can be expended upon a documented request of the person responsible for the unit to which the funds are restricted and within the general guidelines of the foundation. Although the foundation has the ability to invest many of these funds, a certain amount of cash must be maintained in a demand account (checking) from which payment can be made on request. As a result of this necessity, a general fund account should not accrue interest posted to the specific fund.

Term accounts are not a necessity; however, they are an effective means of discouraging expenditure of restricted gifts as soon as they are received. Such accounts should have a minimum balance and are eligible to accrue interest at a rate fixed annually by the foundation board. This rate should not be higher than normal passbook savings rates because that is the way some of the funds will have to be invested—they are *demand* funds.

Endowment funds have specific limitations and should accrue interest earnings related to the total investment earnings of the foundation. Because of the corpus restrictions on these funds, the interest earnings should be higher than those for term accounts. Such funds should be established only with a major corpus of $5,000 or more, which should never be used for expenditures, although the corpus can be increased by additional gifts. Accrued interest should be computed on the minimum quarterly, semiannual, or annual balance in the account.

Trust funds are established by a legal document usually drafted by the donor and for which the donor or legal agreement has prescribed separate investment of such funds not permitting a commingling with other investments.

Although the names given the above funds vary, the four categories should prove sufficient for accepting and administering any and all private gifts. The preceding sample guidelines provide background for establishing and administering such funds.

Step 8

Disburse Funds

Before any foundation funds are disbursed, policies and procedures must be developed to govern the disbursements. Established policies and procedures serve the following important purposes: to provide proper documentation and review of disbursements from foundation funds, to disburse funds in accordance with donor intent, to maintain unquestioned the tax-exempt status of the foundation, to prohibit the use of funds for the direct personal benefit of faculty and/or staff, to obtain goods and services efficiently and at the lowest cost available for the quality and quantity desired, and to account properly for all capital equipment purchased. Sample guidelines for disbursing foundation funds follow.

Sample Disbursement Guidelines

General Expenditure Categories

Foundation guidelines for determining allowable uses of funds include general expenditure categories as follows:

1. *Salary and wage payments.* Direct payment to faculty, staff, students, and/or other full- or part-time employees of the university is not permitted. If support of the university payroll charges or other compensation to university employees is approved from Foundation funds, payment to the employees shall be processed through the Payroll Office and funds shall be transferred from the Foundation to the university.

2. *Honoraria and consulting fees.* Payment of an honorarium or consulting fee is allowable provided the individual receiving payment is not an employee of the university.

3. *Guest expenses.* Reimbursement of expenses incurred for entertainment of guest lecturers and/or other guests of the university is permitted. Usually, reimbursement is limited to expenses incurred for travel, food, and lodging of guests and associated expenses for a reasonable number of university staff accompanying the guests. Unusual circumstances should be cleared with the Development Office before expenditure.

4. *Coffee hours, receptions, etc.* Reimbursement of expenses incurred for coffee hours, teas, and/or receptions may be reimbursed from Foundation funds provided the activity is university related.

5. *Association dues and publication costs.* Departmental and/or institution association dues and publication costs may be paid from Foundation funds. Payment of association dues and/or publication costs for the direct personal benefit of individual faculty or staff members is not permitted.

6. *Faculty and staff travel:*

A. Use of Foundation funds for travel expenses must be approved by the department and Development Office in advance of proposed travel dates.

B. Only in extraordinary situations should travel expenses directly related to faculty and staff departmental, office, and/or institutional assignments be paid from Foundation funds.

C. In these situations, faculty and staff members must file an "Authorization for Travel" signed by the department head, dean, and/or vice president and approved by the president's office. The Foundation should be indicated as the source of funds for payment of travel expenses.

7. *Magazine subscriptions.* Magazine and other subscriptions to be paid from Foundation funds should be directly related to departmental teaching, research, and/or public-service activities. Subscriptions must be mailed to a university department, office, or the library.

8. *Supplies, expenses, and capital equipment:*

A. Supplies, expenses, and capital equipment generally used for teaching, research, and/or public-service activities may be purchased with Foundation funds.

B. Title to equipment purchased with Foundation funds is automatically transferred to the university unless specifically indicated otherwise by the Foundation.

C. A department head may recommend a specific vendor, manufacturer, or other supplier if specific supplies and/or equipment are required to maintain consistency with existing equipment or to meet teaching or research specifications.

9. *Other.* Proposed uses of Foundation funds that are not directly related to the above categories or uses relating to unusual circumstances should be cleared with the Development Office before expenses are incurred.

Control of Equipment

Following are guidelines for control of

equipment purchased from Foundation funds.

1. *Assignments of Equipment.* Equipment purchased with Foundation funds shall be assigned to the requesting department until such time as the equipment becomes unnecessary, obsolete, or of limited value beyond reasonable repair.

2. *Recording and Labeling of Equipment.* All equipment purchased from Foundation funds shall be recorded and labeled as a part of the university inventory system. The inventory numbering system shall separately identify equipment purchased from Foundation funds.

3. *Approval of Equipment.* The university and/or the Foundation may elect *not* to approve an equipment request for one or more of the following reasons:

A. high level of projected operating and/or maintenance costs

B. space needs requiring major alterations to existing structure

C. major installation costs, or

D. duplication of existing equipment that is available for general use by university faculty and staff.

Contributed Equipment

Equipment contributed to the Foundation for university use should be handled in the following way:

1. The department head having knowledge of possible equipment contributions should check with the Development Office for procedures to be followed.

2. Upon completion of a review by the Foundation and notification of the circumstances to university officials, the title to equipment accepted by contributions normally shall be transferred to the university. Such equipment shall be recorded as university inventory.

Procedures for Withdrawal of Funds

Listed below are proposed procedures for requesting withdrawal of Foundation funds.

1. *Processing of requests.* Requests for withdrawal of funds, except for those requests for purchase of capital equipment and specific supply items, shall be processed as follows:

A. Requests shall include disbursements for honoraria, consulting fees, association dues, publication costs, specifically approved faculty travel (see "General Expenditure" category), subscriptions for magazines and publications, reimbursement of expenses for entertainment of university guests, reimbursement of a faculty member or payment to a vendor for miscellaneous supply items procured directly from a vendor, and other miscellaneous expenses.

B. Requests for withdrawal of Foundation funds are to be prepared by the department or administrative office requesting payment and submitted to the Foundation for payment. Vendor invoices, expense receipts, and/or other supporting documentation should be attached to the withdrawal form.

C. Requests shall be approved if funds are available and the requests comply with guidelines established by the Foundation.

D. Requests for reimbursement of travel expenses must be supported by one copy of the approved "Authorization for Travel" and by one copy of the required expense documentation.

E. Foundation checks shall be distributed as indicated on the request form.

2. *Requests to Purchase Equipment.* Requests to purchase capital equipment and specific supply items (supplies to be ordered from vendors requesting university purchase order) shall be processed as follows:

A. Capital equipment and specific supply items are to be requested by preparing a university requisition and a Foundation Fund Withdrawal Form. The title of the Foundation

fund to be charged must be shown on the requisition. Justification for a specific vendor and/or manufacturer or equipment or supplies must accompany the requisition.

B. Requisitions for capital equipment are to be approved by the department head and dean of the school.

C. The requisition and the withdrawal form are to be submitted to the Foundation Office for approval by the executive director or an authorized representative. Approval by the Foundation Office indicates that sufficient funds are available for the requested purchase. If funds are limited to a specific dollar maximum, the requisition must so indicate.

D. Requisitions shall be forwarded by the Foundation Office to the Accounting Office for review and coding, and, in turn, forwarded to the Purchasing Department for processing.

E. Consideration shall be given to departmental preference of vendor, manufacturer, etc. However, determination of the vendor shall be the responsibility of the Purchasing Department. Most Foundation requisitions will be in line with established university purchasing policies and procedures. In a few instances, purchases may be for items generally not purchased from university funds. In such instances, purchase requests shall be processed in the same way as for all other requests in order to purchase such items at the lowest price available for the quantity and quality desired.

F. Upon receipt of the merchandise requested, receiving copies of the purchase order shall be signed by the department head and forwarded to the Purchasing Department for processing.

G. Payment to the vendor shall be made by the Accounting Office and disbursement shall be charged to the appropriate Foundation account.

H. One copy of each equipment order shall be sent to the university Inventory Control Office after payment to the vendor to permit recording and labeling of the equipment as a part of the university inventory system.

Some Final Advice

This handbook is intended to present the whys and hows of establishing a separate foundation for institutional fund raising. More specifically, the information was prepared to acquaint state colleges lacking a private foundation with the benefits of establishing one. The diversity of public colleges and the introductory nature of the material in this handbook required the content to be general in nature. During the formation of a foundation, questions will arise that this handbook does not address. Thus, the assistance of an institutional development professional is essential. The ideas presented here have proven successful and can be modified to meet an individual institution's philosophy and goals. However, every institution is unique, and other alternatives might be viable in the formation of an organization to best accomplish fund-raising needs and objectives. If you decide to establish a foundation, keep the following advice in mind:

- Make it as easy as possible for someone to make a gift to your institution.
- Allow at least a year to get a foundation organized.
- Remember that it may take two to four years before involvement in the organization has reached a point mirroring the program described here.
- Be assured that with good professional staff leadership, the institution will reap rewards.

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Prior to his current responsibilities at JMU, Lemish served as vice president for university advancement and community relations for six years at Longwood College and vice chancellor for advancement and planning at East Carolina University from 1979-82. He was assistant vice president for development at The University of Alabama in Birmingham from 1977-79.

He began his higher education career at his alma mater, Ball State University (BSU). In 1968 after teaching journalism for three years. At BSU he progressed in a number of positions including alumni editor, alumni field director, executive director of Cardinal Varsity Club, associate director of alumni and development programs, director of development, and executive vice president of the BSU Foundation.

He has directed fund-raising programs cited for U.S. Steel Foundation/Council for Advancement and Support of Education (CASE) Alumni Giving Incentive Awards at three AASCU institutions. He has received seven Alumni Giving Incentive Awards and has has written articles published in *Fund Raising Management* and *Fund Raising Institute*. He has authored chapters in two books published by CASE and has served on faculties of numerous national fund-raising institutes and workshops.

The Association

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